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Message Text

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50
ACTION ARA-20

INFO OCT-01 ISO-00 AID-20 CIAE-00 COME-00 EB-11 FRB-03

INR-11 NSAE-00 RSC-01 XMB-07 OPIC-12 SP-03 CIEP-03

LAB-06 SIL-01 OMB-01 FS-01 ABF-08 A-01 OPR-02 SEC-03

NSC-07 SS-20 STR-08 CEA-02 PA-04 PRS-01 USIA-15 /172 W
---------- 100142
R 051411Z JUL 74
FM AMEMBASSY BUENOS AIRES
TO SECSTATE WASHDC 7562
DEPT OF TREASURY

C O N F I D E N T I A L BUENOS AIRES 5766

E.O. 1160): GDS
TAGS: EFIN, AR
SUBJECT: CENTRAL BANK ACTION TO CONTROL PARALLEL RATE

1. DURING LAST SEVERAL DAYS, CENTRAL BANK TIGHTENED UP INSPECTION OF EXCHANGE AND BROKERAGE HOUSES OPERATING ON PARALLEL MARKET. ACTION PRESUMABLY TAKEN TO TRY AND CONTROL RISING PARALLEL MARKET RATE WHICH CURRENTLY BEING QUOTED AT AROUND 17.00 PESOS/ DOLLAR. SOURCES DESCRIBE INSPECTION AS TOUGHER THAN USUAL, BUT LESS THAN MAJOR CRACKDOWN.

2. IN POSSIBLY RELATED MOVE, CENTRAL BANK RATHER SURPRISINGLY LIBERALIZED AMOUNT OF FOREIGN EXCHANGE AVAILABLE FOR TRIPS ABROAD, FAMILY AID, SCHOLARSHIPS, ETC. FOR EXAMPLE, ARGENTINE TOURIST TO US MAY NOW OBTAIN $50 PER DAY UP TO MAXIMUM $1,500 (PREVIOUS MAXIMUM WAS $30 PER DAY). ONE PURPOSE
LIBERALIZATION
MAY BE TO REDUCE PRESSURE ON PARALLEL MARKET.

3. SHARPLY INCREASING PARALLEL RATE, ALONG WITH OTHER ECONOMIC PROBLEMS, HAVE RENEWED SPECULATION THAT DEVALUATION COMING SOON. STRONG RUMORS PERSISTING, DESPITE SEVERAL CATEGORICAL DENIALS THAT GOA EVEN CONSIDERING DEVALUATION BY CENTRAL BANK PRESIDENT
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GOMEZ MORALES (E.E. THE KIND OF DENIALS THAT INVARIABLY PRECEDE

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A DEVALUATION ANYWHERE).

4. COMMENT: WE DO NOT THINK GOA WOULD TAKE DEVALUATION STEP IN NEAR FUTURE-UNLESS IN CONTEXT OF MAJOR ECONOMIC SHAKEUP. DEVALUATION WOULD BE POLITICALLY EMBARRASSING TO GOA AND NOT URGENTLY REQUIRED IN VIEW STRONG RESERVE POSITION. NEVERTHELESS, SOURCES TELL US DEVALUATION HAS BEEN DISCUSSED WITHIN GOA AT HIGH LEVELS, AND IN CURRENT FLUID SITUATION, POSSIBILITY CANNOT BE ALTOGETHER DISCOUNTED.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: CENTRAL BANK, FOREIGN EXCHANGE RATES, CURRENCY CONTROLS
Control Number: n/a
Copy: SINGLE
Draft Date: 05 JUL 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: shawdg
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974BUENOS05766
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D740213-0166
From: BUENOS AIRES
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740774/aaaacldd.tel
Line Count: 71
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ARA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: shawdg
Review Comment: n/a
Review Content Flags:
Review Date: 04 SEP 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <04 SEP 2002 by shawdg>; APPROVED <14 FEB 2003 by shawdg>
Review Markings:

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30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: CENTRAL BANK ACTION TO CONTROL PARALLEL RATE
TAGS: EFIN, AR
To: STATE TRSY
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

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